

Robert L. Ehrlich, Jr.
Governor
Michael S. Steele
Lt. Governor
Victor L. Hoskins
Secretary
Shawn S. Karimian
Deputy Secretary

November 7, 2003

RE: Maryland DHCD Audit Guide

Dear Sir or Madam;

The Fiscal Year 2003 Maryland DHCD Audit Guide is now available on the DHCD website, at www.dhcd.state.md.us. Click on Forms and Applications then scroll down to Multi Family Asset Management (DCA). There you'll find the Audit Guide and related worksheets available for downloading.

There are some minor changes in this year's Guide related to the Chart of Accounts. These are in accordance with changes that HUD has mandated and we are requesting that the same format be used on projects funded by DHCD. We are also again requiring that the lead auditor be identified, as well as certifications that the audited statements have been reviewed by the property manager and approved by the owner.

We are unable to accept electronic submissions at this time. When submitting completed audit reports to DHCD, please provide two original copies and mail to the address below:

DHCD 100 Community Place Crownsville, Maryland 21032 ATTN: Multi Family Asset Management

The deadline for submissions is ninety days after the end of the fiscal year in most cases. If additional time is required, requests for extensions must be made in writing to DHCD's Director of Multi Family Asset Management.

The Department has endeavored to send Audit Guide information to all auditors that performed audits for projects in previous years. However, it remains the responsibility of Project Owners and/or Managers to make sure that auditors produce audits that are in compliance with Department requirements.

We welcome any comments on how DHCD's reporting requirements could be improved. If you have any questions or suggestions about our Audit Guide, are unable to download a copy and forms from our website or would like to receive a copy in the mail, please call the asset manager assigned to your property, or call the central Department number at (410) 514-7373.

Thank you for your cooperation.

Sincerely,

Roy Kiewe
Roy Kiewe, Director
Multi Family Asset Management



The Maryland Department of Housing and Community Development 100 Community Place Crownsville, MD 21032-2023

Division of Credit Assurance and The Community Development Administration



Revised November 2003

1 Introduction

The Maryland Department of Housing and Community Development (DHCD) has a substantial risk and a regulatory role in hundreds of multifamily housing projects that have received mortgage financing, mortgage insurance, or other forms of financial assistance from DHCD through the Community Development Administration (CDA) and/or Maryland Housing Fund. Through the Division of Credit Assurance (DCA), the Department monitors the financial health and continuing compliance with mortgage and program requirements. To help in the assessment and analysis of such projects, including compliance with program and regulatory requirements, degree of financial risk to the Department, and the relative financial health of each project, DHCD requires owners of multifamily projects to submit audited financial statements annually.

The goal of this guide is to provide direction to certified public accountants that perform audits of financial statements for project owners subject to DHCD's audit requirements. The variety of projects within the DHCD portfolio is extensive. Therefore, some of the reporting requirements may be complex and confusing. Auditors must carefully review loan documents and regulatory agreements. In addition, it may be necessary to contact DHCD for clarification on particular issues unique to certain projects.

So that both the mortgagor and DHCD can be assured of program compliance, an Audit Questionnaire is provided to guide the auditor in the review of matters which are of particular interest to the Department. For your convenience, a copy of the Annual Audit Questionnaire is included with this *Audit Guide* as Appendix E. The Auditor's work papers should document that all applicable questions on the Annual Audit Questionnaire have been addressed in the scope of the audit engagement. Indications of non-compliance should be disclosed in a Schedule of Findings. Furthermore, the auditor should refer to program test procedures as recommended in HUD Handbook IG2000.04 REV-2, *Consolidated Audit Guide for Audits of HUD Programs*, and any subsequent revisions thereto. Additionally, auditors should refer to the requirements of HUD Handbooks 4370.1, 4370.2, 4370.3 and 4370.4, as applicable by program and project type.

2 Audited Financial Statement Requirements

Two original Audited Financial Statements must be submitted to DHCD. These Statements must include the reporting requirements hereinafter prescribed. Suggested example reports are presented in Appendices A through D. The financial statements should also include the following reports to meet DHCD requirements:

- A. Independent auditor's report on the basic financial statements in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS), the supplemental information required by DHCD. The audit must also include the name of the lead auditor
- B. Independent auditor's report on internal controls.
- C. Independent auditor's report on compliance with DHCD programs.
- D. Independent auditor's report on compliance applicable to the financial statements in accordance with GAS.

In addition, the financial statements should include the following:

- Name and contact information for the lead auditor preparing the report
- Owner's certification that the audit has been reviewed and accepted
- Management company's certification that the audit has been reviewed and accepted

- Auditor's Management Letter, or Schedule of Findings, and Comments on Audit Resolution Matters, if appropriate
- Completed Annual Audit Questionnaire
- Schedule of findings and questioned costs, if applicable
- Auditor's comments on status of prior year's compliance findings to be included for any prior findings for which corrective action has not been taken

Where necessary, the owner should prepare and submit a corrective action plan to describe the action to be taken regarding noncompliance findings disclosed in the audit and any corrective action taken on prior years' findings.

The U.S. Department of Housing and Urban Development (HUD) published its final rules on "Uniform Financial Reporting Standards for HUD Housing Programs" in the FEDERAL REGISTER on September 1, 1998. In addition to other substantive changes in its procedures, HUD has adopted a revised Chart of Accounts, which is periodically updated. Projects subject to those reporting requirements, that is, all HUD-insured, direct loan and subsidized multifamily housing projects with fiscal years ending December 31, 1998 and thereafter, must use the most recent revised chart of accounts as defined in HUD Guidelines on Multifamily Housing Financial Reporting Revisions. The revised chart of accounts must also be used for the paper report required by DHCD. DHCD has also adopted the HUD revised Chart of Accounts to aid projects in reporting to various legislative entities. Note that information previously disclosed in Part II of Form HUD-92410, Statement of Profit and Loss, is required to be included in all financial statements prepared for DHCD.

Auditors should, in all instances, be familiar with the regulatory documents pertaining to each loan, including, but not limited to the Regulatory Agreement, Deed of Trust, Deed of Trust Note, Occupancy or Pledge Agreement, Construction Loan Agreement, Rental Assistance Payments, Housing Assistance Payments Contracts and Interest Reduction Payments Agreements.

3 Special Requirements for Not-for-Profit Organizations

PLEASE NOTE: The Office of Management and Budget (OMB) has issued revisions to OMB Circular A-133 effective for the years ending on or after June 30, 1997 which incorporate amendments to the Single Audit Act. HUD published regulations in November, 1997 for the implementation of A-133 requirements for not-for-profit organizations that are recipients or sub-recipients of federal assistance from HUD and previously were required to perform audits in accordance with HUD Handbook IG2000.04 REV-1, *Consolidated Audit Guide for Audits of HUD Programs*.

Not-for-profit organizations that have reporting requirements to the State of Maryland resulting from the terms stated in the Deed of Trust, Deed of Trust Note, or Regulatory Agreement, are required to provide audited financial statements to DHCD that have been prepared in accordance with the requirements of this *Audit Guide*. This requirement extends to programs such as Section 8, Community Development Block Grant (CDBG) funds, HOME funds, or any other Federal assistance programs.

Circular A-133 is applicable to state and local governments and non-profit entities that expend \$300,000 or more in Federal awards in any given year. If all assistance received by a not-for-profit organization is from just the State of Maryland, there is no A-133 audit requirement. However, the auditor should be aware that any Federal funds received as a sub-recipient that is passed through the State or local government may be subject to A-133 requirements.

Certain Section 8 Housing Assistance Payments (HAP) contracts with not-for-profit organizations for which the State is the Contract Administrator are subject to both Federal and State audit requirements. Likewise, organizations receiving loans from the State that are insured by HUD will have a dual reporting requirement.

This requirement for dual reports is not new. Rather, it is the revision of the A-133 requirements that represent a change.

On and after fiscal years ending December 31, 2003, if projects received \$500,000 or more in Federal assistance during the year and submit a Single Audit under A-133 to fulfill the State reporting requirements, it should be in sufficient detail to allow for a complete financial analysis of each project receiving assistance from DHCD. The audit must provide all information and schedules required under this *Audit Guide*, including all reports which address internal controls and compliance with State programs.

4 HUD Electronic Submissions

As noted above, certain projects have a reporting requirement to both the Federal government and the State. HUD has issued final rules requiring all organizations, both for-profit and not-for-profit, to submit their financial information electronically for fiscal years ending on or after December 31, 1998. For those organizations that are subject to this *Audit Guide*, audits must be submitted to DHCD in a paper version. Those reports should be presented based on the requirements of this *Audit Guide*.

5 **Submission Deadlines and Extensions**

DHCD reporting deadlines require audits to be submitted no later than ninety (90) days after the end of the project's fiscal year. DHCD will consider a thirty-day extension when a request is submitted in writing with a valid reason, prior to the report due date.

Owners are advised that failure to furnish audited financial statements, in a timely fashion and in the stipulated format, is a program and regulatory violation and places the owner or project in technical default. In addition to the default provisions of the loan documents, requests for distributions and withdrawals from the Reserve for Replacement account may be denied until the necessary statements have been submitted in an acceptable format.

6 Scope of Audit

The objective of the audit is to determine if the financial statements represent fairly the financial position of the project and if the operating practices and controls comply with DHCD and/or HUD requirements. The audit must be sufficiently comprehensive to permit the expression of an auditor's opinion on the financial statements in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the comptroller of the United States (GAS).

The auditor should state whether the financial statements present fairly, in all material respects, the financial position of the project as of the audit date and the results of its operations and its cash flows in conformity with generally accepted accounting principles (GAAP). The auditor should state whether the audit was performed in accordance with generally accepted auditing standards (GAAS) and GAS. Also, the auditor should state whether the Supplemental Information has been subjected to the audit procedures applied to the audit of the basic financial statements and is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The auditor is expected to review, evaluate and provide audit level assurance on the adequacy of the accounting records, accounting procedures, and the systems of internal controls.

7 Supplemental Information

All supplemental schedules are required. If a schedule is not applicable, note it as such. If the requested information is presented in notes or elsewhere, provide a reference to the information. The supplemental information required for audit reports prepared for DHCD must contain the following:

A. Schedule of Letters of Credit

A listing of all outstanding Letters of Credit, including:

- Their purpose;
- Original amount;
- Current amount;
- Expiration date;
- Issuer; and
- Beneficiary

B. Schedule of Mortgages Payable

A listing of all mortgages (including those to CDA, HUD, and other lenders), including:

- Lien position;
- Origination date;
- Original amount;
- Terms of repayment;
- Name of lender; and
- Current balance due
- C. **Notes Payable** (other than mortgage notes) Details shall be included of loans or notes payable including date incurred, original amount, purpose, terms, creditor and balance due.
- D. Accounts and Notes Receivable A complete detailed analysis shall be made of any accounts or notes receivable other than regular tenant accounts including date acquired, original amount, terms, name of borrower and balance due.
- E. List of Identity of Interest Entities and Activities List any entities with an identity of interest which have provided labor, materials or services to the project during the year. The list should include the name of the related entities, the amounts actually paid and the nature of the contracted materials or service.
- F. Reserve Funds An analysis shall be made of all required reserve funds including the following:

Reserves for Replacement Operating Deficit Reserves Builders Overrun Reserve Rental Reserves

Any other reserve required by the Regulatory Agreement or other loan documents

- A schedule analyzing the account activity for the audit period.
- A schedule of payments required to fund the account.
- If reserves are in the form of letter of credit or a form other than cash, provide a description of the form of security and/or collateral.
- If the reserve account is held by an institution other than CDA or CDA's loan servicer, a statement is required as to the form in which these funds are maintained. If in cash, the name of the depository for each fund is required. If invested in securities, provide detail of type of security, depository and terms.
- If the reserve account is held by an institution other than CDA or CDA's loan servicer, a statement for all withdrawals is required, including purpose of and authority for such withdrawals.

- If the reserve account is held by an institution other than CDA or CDA's loan servicer, a year end balance in each account is required. Such disclosure should identify withdrawals used to fund items expensed on the P&L and items capitalized as assets on the Balance Sheet.
- G. **Residual Receipts** For all projects required making deposits to a residual receipts fund, a schedule analyzing the activity for the audit period is required.
- H. **Changes in Fixed Asset Accounts** A schedule shall be included showing full details and explanations of any changes in the fixed asset accounts.
- I. Computation for Surplus Cash, Distributions and Residual Receipts (Attached as Appendix F) For all projects which are subject to limited distribution requirements, or receive distributions of Surplus Cash, development costs or long term obligations (except the current portion) should not be included in the calculation of surplus cash.
- J. Loans Payable from Available Project Cash In addition to 'B' above, if applicable, a schedule showing all mortgage payments due, including all amounts accrued and unpaid, from surplus cash on primary or subordinate debt must be included, showing the calculation of payment due, to whom owed, and any other relevant information. Components of cash flow calculations may differ from the surplus cash calculation above. Refer to each loan document for a specific definition of cash flow. A suggested format and examples are attached as Appendix G.

8 CDA Loan Information Request

Confirmation of account balances is not automatically sent by CDA. Written requests for confirmation should be directed as follows:

- Projects with bond funded loans held by CDA: CDA Department of Finance at (410) 514-7414; fax (410) 987-4087
- Projects with CDA loans funded by State loan programs: Bogman, Inc. 12301 Old Columbia
 Pike Suite 200 Silver Spring, MD 20904. Phone (240) 482-1050 Fax (301) 622-0058

NOTE: There may be a charge by the Servicer for information requested on loans funded by State loan programs.

Questions regarding the audit or the contents or the scope required should be addressed to the Director of Asset Management. The Director can be reached at (410) 514-7373.

9 Maryland Income Tax Withholding

Maryland income tax code requires that funds be deposited with the State Treasurer for non-resident partners' estimates of potential tax liability. Fulfillment of this requirement is considered a distribution, and may not be made from project operating funds. It is suggested that estimated tax withholding for non-resident partners be held from available current distributions.

REPORT ON AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Independent Auditor's Report

To the Partners ABC Entity Anytown, MD:

We have audited the accompanying balance sheet of [the Entity] as of December 31, 200x, and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of [the Entity's] management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of [the Entity] as of December 31, 200x, and the results of its operations and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting information included in the report (as shown on pages XX to XY) are presented for the purposes of additional analysis and are not a required part of the basic financial statements of [the Entity]. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated [date of report] on our consideration of [the Entity's] internal controls and a report(s) dated [date of report(s)] on its compliance with laws and regulations.

CPA and Company Certified Public Accountants

Appendix B

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS (COMBINED REPORT APPLICABLE TO THE FINANCIAL STATEMENTS AND DHCD-ASSISTED PROGRAMS - - REPORTABLE CONDITIONS WERE NOTED - - NO MATERIAL WEAKNESS)

To the Partners ABC Partnership Anytown, MD:

We have audited the financial statements of [the Entity] as of and for the year ended December 31, 200x, and have issued our report thereon dated [date of report]. We have also audited [the Entity's] compliance with requirements applicable to DHCD-assisted programs and have issued our reports thereon dated [date of reports].

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States and the Consolidated Audit Guide for Audits of HUD programs (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, as well as the Audit Guide issued by the Maryland Department of Housing and Community Development. Those standards and Guides require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether [the Entity] complied with laws and regulations, noncompliance with which would be material to a DHCD-assisted program.

In planning and performing our audits, we obtained an understanding of the design of relevant internal controls and determined whether they had been placed in operation. We assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of [the Entity] and on its compliance with specific requirements applicable to its DHCD-assisted programs and to report on internal controls in accordance with the provisions of the Guides and not to provide any assurance on internal controls.

The management of [the Entity] is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and that DHCD-assisted programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal controls, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We performed tests of controls, as required by the Guides, to evaluate the effectiveness of the design and operation of internal controls that we considered relevant to preventing or detecting material noncompliance with specific requirements applicable to [the Entity's] DHCD-assisted programs. Our procedures were less in scope than would be necessary to render an opinion on internal control policy and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving internal controls and their operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements or to administer DHCD-assisted programs in accordance with applicable laws and regulations.

[Include paragraphs to describe the reportable conditions noted.]

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a DHCD-assisted program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters in internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to by material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

[We also noted other matters involving internal controls and their operations that we reported to the management of [the Entity] in a separate communication dated [date of communication].

This report is intended solely for the information and use of the audit committee, management, and the Maryland Department of Housing and Community Development, and is not intended to be and should not be used by anyone other than these specified parties.

CPA and Company Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO DHCD PROGRAMS

To the Partners ABC Partnership Anytown, MD

We have audited the financial statements of [the Entity] as of and for the year ended December 31, 200x and have issued our report thereon dated [date of report]. In addition, we have audited [the Entity's] compliance with the specific program requirements governing [list those requirements tested] that are applicable to each of its DHCD-assisted programs, for the year ended December 31, 200x. The management of [the Entity] is responsible for compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, Government Auditing Standards, Consolidated Audit Guide for Audits of HUD Programs (the "Guide") issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, as well as the Audit Guide issued by the Maryland Department of Housing and Community Development. Those standards and the Guides require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about [the Entity's] compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, [the Entity] complied, in all material respects, with the requirements described above that are applicable to each of its DHCD-assisted programs for the year ended December 31, 200x.

This report is intended solely for the information and use of the audit committee, management, and the Maryland Department of Housing and Community Development, and is not intended to be and should not be used by anyone other than these specified parties.

CPA and Company Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS APPLICABLE TO THE FINANCIAL STATEMENTS

To the Partners ABC Partnership Anytown, MD

We have audited the financial statements of [the Entity] as of and for the year ended December 31, 200x, and have issued our report thereon dated [date of report].

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to [the Entity] is the responsibility of [the Entity's] management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of [the Entity's] compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, and the Maryland Department of Housing and Community Development, and is not intended to be and should not be used by anyone other than these specified parties.

CPA and Company Certified Public Accountants

ANNUAL AUDIT QUESTIONNAIRE

ΡI	ROJ	ECT NAME				
ΡI	ROJ	ECT NUMBER				
FI	SC	AL YEAR END				
Aı	iswe	ers to these questions should be based upon reviews indicative of an adverse condition must be depermission from DHCD to deviate from the requ	scribed in	n the au	dit repor	t unless the mortgagor has
		EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER REFERENCE
1.	М	ortgage Status				
	a.	Are payments on all mortgages current? First Lien Second Lien Third Lien Fourth Lien Fifth Lien				
	b.	Has the mortgagor complied with the terms and conditions of the Regulatory Agreement and/or workout agreements, as applicable?				
2.	Во	ooks and Records				
	a.	Are a complete set of books and records maintained in a satisfactory manner?				
	b.	Does the mortgagor make frequent postings (at least monthly) to the ledger accounts?				
3.	Ca	ash Activities				
	a.	Has the borrower made the required deposits to mortgage escrow accounts as required by the loan documents?				
	b.	Are security deposits kept separate and apart from all other funds of the project in an insured institution?				
	c.	Does the mortgagor keep sufficient funds in the security deposit account to equal or exceed the aggregate of all outstanding obligations to the tenants?				

EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER REFERENCE
d. Is the project meeting all of its financial obligations as they become due?				
e. Does the owner or his management agent have a fidelity bond in an amount at least equal to the requirements of the Regulatory Agreement which provides coverage for all employees handling assets of the project?				
f. Did cash disbursements exclude payments for items listed below?				
 Legal expenses incurred in the sale of partnership interests? The fee for the preparation of a partner's, shareholders or individual's federal, state or local income tax returns? 				
Advice to an owner on tax consequences of foreclosure?				
 Reimbursement to the owners or affiliates while the mortgage is in default, or under workout arrangements for prior advances, capital expenditures and/or project acquisition costs? 				
• Letter of Credit fees?				
g. Were distributions made to, or on behalf of the owners limited to those authorized by the Regulatory Agreement?				
Note: Distribution to non-profit mortgagor entities or principles may not be permitted by the Regulatory Agreement.				
Note: The use of rental proceeds to pay for costs included in the mortgagor's cost certification are unauthorized distributions of project income.				
h. Was any surplus cash available for payment on cash flow debt per the Deed of Trust and Note remitted timely to DHCD?				
i. Were residual receipts deposited with the mortgagee within ninety days after the close of the mortgagor's fiscal year?				
j. If required, were excess rental collections in Section 236 projects remitted to HUD each				

month?				
EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER REFERENCE
k. Does the mortgagor have a formal collection policy?				
l. Is the collection policy enforced?				
m. Do tenant accounts receivables consist exclusively of amounts due from tenants?				
n. Are accounts receivable other than tenants' receivables composed exclusively of amounts due from unrelated persons or firms?				
o. Were payments for services, supplies or materials consistent with amounts normally paid for such services?				
p. If applicable, were utility allowance payments to residents paid on a monthly basis?				
4. Management Compensation Was compensation to the management agent limited to the amounts prescribed in the management agreement as written or amended?				
5. Rents and Occupancy				
a. Is the gross potential rental income from apartments equal to or less than that approved by HUD or DHCD?				
b. In subsidized projects, are dwelling unit contract rental rates and Fair Market Rent rates in Section 236 projects the same as those approved by HUD or DHCD?				
6. DHCD/HUD Subsidy Payments (Section 8 / RAP projects only)				
a. Were the amounts requested from DHCD/HUD adequately supported by the accounting records?				
EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER

			REFERENCE
b.	Were subsidy payments received recorded in the proper accounts?		
7. O	wnership Interest		
a.	Were any changes of stockholders or investors during the current fiscal year approved by DHCD? Provide a schedule of significant changes, if applicable.		
b.	Were all dividends paid or other distributions made to owners or stockholders, including distributions and purchase or redemption of stock, reflected in the equity statement?		

\$

Distribution Calculation	1			
lı .	nitial Equity Investment			
F	Permitted Percentage			
C	Cumulative? ("Yes" or " " (Blank))			
	Residual Receipts deposit required?			
Computation of Surplus	Cash,			_
Distributions and Residu				
Receipts				
Project Name:	Fiscal Period Ended:	Project Number	 er:	_
.,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
PART A - Compute Surplus				
1. Cash (Accounts 1120, 117		\$	<u>-</u>	
•	lue for period covered by financial statement	\$	<u> </u>	
3. Other (Approved replacem	· · · · · · · · · · · · · · · · · · ·			
, , , , , ,	Add lines 1, 2, and 3)		\$	
Current Obligations				
4. Accrued mortgage interest		\$	<u>-</u>	
Delinquent mortgage princip				
Delinquent deposits to rese				
7. Accounts payable (due wi		\$	<u>-</u>	
8. Loans and notes payable		\$	<u> </u>	
9. Deficient tax, insurance, or				
10. Accrued expenses (not es		\$	_	
11. Prepaid rents (Account 22	•	\$	_	
12. Tenant security deposits lia	ability (Account 2191)	\$	_	
13. Other (Describe)				
(b) Less Total Current C			\$	
(c) Surplus Cash (Defici			\$	
PART B - Compute Distrib	utions to Owners and Required Depo	osit to Residual Rece	ipts	
1. Surplus Cash			\$	
Limited Dividend Projects				
2a. Annual distribution earned	during fiscal period covered	\$	-	
2b. Distribution accrued and ur	npaid as of Dec-02			
2c. Distributions paid during fis	cal year 2003			
3. Amount to be carried on ba	lance sheet as distribution earned but unpaid	-		
(Line 2a plus 2b minus 2c)		\$	-	
4 Amount available for distrib	ution during 2004		خ	

5. Deposit due residual receipts (Must be deposited with Mortgagee within 60 days)

DIVISION OF CREDIT ASSURANCE ASSET MANAGEMENT

CALCULATION OF DEBT SERVICE REPAYMENT

PROJECT NAME:		Project ID No.: OWNER NAME:	
REPAYMENT TERMS PER LOAN	DOCUMENTS:		
CALCULATION OF SURPLUS CA	SH PER LOAN DOCUM	ENTS:	
CALCULATION OF SURPLUS CAS	SH PER LOAN DOCUM	ENTS: Amounts Excluded	
	SH PER LOAN DOCUM		
Amounts Received	SH PER LOAN DOCUM	Amounts Excluded	
Amounts Received Total Amounts Received	SH PER LOAN DOCUM		
Amounts Received	SH PER LOAN DOCUM	Amounts Excluded	
Amounts Received Total Amounts Received	SH PER LOAN DOCUM	Amounts Excluded Total Excluded Amounts	
Amounts Received Total Amounts Received	SH PER LOAN DOCUM	Amounts Excluded Total Excluded Amounts Surplus Cash as Defined	
Amounts Received Total Amounts Received	SH PER LOAN DOCUM	Amounts Excluded Total Excluded Amounts Surplus Cash as Defined Cash and Equivalents, end	